



United Nations

A/CONF.198/8/Add.6



International Conference on Financing for Development

**Monterrey, Mexico
18-22 March 2002**

Distr.: General
21 March 2002

Original: English

Agenda item 9 (d)

Ministerial segment: ministerial round tables

Summaries of multi-stakeholder round tables

Note by the Secretariat

Addendum

Ministerial round table B.1, on the theme "Coherence for development"

Wednesday, 20 March 2002 (morning)

Summary by the Co-Chairs

**Jan Kavan, Deputy Prime Minister and Minister of Foreign Affairs
(Czech Republic)**

**Rubens Ricupero, Secretary-General of the United Nations Conference on Trade
and Development**

1. The round table began with the recognition that the International Conference on Financing for Development needs to successfully address the matter of coherence. Policy-making in both individual Governments and intergovernmental settings has become specialized into more or less related entities that cooperate imperfectly. In many cases, the difficulty is not lack of information but unresolved differences in policy preferences that lead Governments or international organizations into inconsistent actions. Our discussion focused on coherence difficulties both in national Governments and internationally. Certain participants in our round table also announced a significant initiative.

Domestic Coherence

2. Participants noted that the search for coherence is not a new phenomenon and that additional efforts are required. However, in approaching the issue, all dimensions of development and all stakeholders and partners should be considered in a comprehensive and holistic approach, in which all players should reinforce each other. For instance, lack of cohesion in the international sphere can undermine efforts to enhance cohesion at the domestic level.



3. Some participants considered that despite its importance, enhancing coherence should not be pursued at the expense of addressing specific problems. Sometimes painful policy reforms are necessary and they should not be dismissed under the false pretence that they undermine consistency. On the other hand, it was widely recognized that developing countries are overburdened by a vast array of donor and creditor requirements. Seeking to implement them drains scarce resources and they thus need to be simplified.

4. Considerable attention was devoted to the need to promote and enhance cohesion at the national level, both in developed and developing countries. Some speakers noted that achieving that goal would be a major challenge. The process involves numerous actors who may have conflicting interests and objectives — the national, regional and local levels of government and public institutions, the private sector and civil society.

5. Participants considered that a clear vision or development strategy, formulated at the country level, that brings all stakeholders together in a spirit of true partnership and cooperation, could have an important bearing on improving coherence. In addition, it was stressed that such a vision should be based on respect for and support of human rights, promotion of gender equality and protection of the environment. The global compact launched by the Secretary-General of the United Nations and the increased attention by large institutional investors, such as pension funds to good corporate citizenship by the firms in which they invest, were cited as examples of relevant actions by different stakeholders.

6. Some speakers highlighted the importance of public sector reform as a means to improve coherence at the national level. As the role of government has evolved in a number of countries, the State has become less a direct producer and more an enabler of economic activity. This requires that government have a strong institutional, supervisory and regulatory capacity, for example for the development of an effective financial sector, which is central to successful domestic resource mobilization. Adequate financial and technical support from the international community is also considered necessary to enable such reforms.

7. Some speakers noted that although foreign direct investment (FDI) is important for development, simply attracting FDI does not automatically imply faster growth. There is a need for complementary domestic policies to link the operations of foreign firms to the domestic economy and thereby increase its benefits for the country concerned.

8. One means of reducing inconsistencies is to increase the transparency of business and government practices and share information fully. Accordingly, representatives of the business sector put forward a series of proposals, including the establishment of a global information clearing house, the promotion of investment guidelines in least developed countries, enhancing developing countries' access to equity and debt financing, new mechanisms for infrastructure financing, and strengthening small and medium-sized enterprises in developing countries.¹

¹ See paper entitled "Strengthening financing for development: proposals from the private sector", compiled by the United Nations-sanctioned business interlocutors to the International Conference on Financing for Development, March 2002.

International coherence

9. Participants stressed the importance of better coherence between national development efforts and international cooperation. It was argued that the major industrial countries should pay more attention to the consequences of their macroeconomic policies for the rest of the world. It was also observed that combating corruption requires cooperation between developing and developed countries, especially if developing countries are to recover illicitly removed funds.

10. A large majority of speakers expressed concern about incoherence between trade and development policies. It was emphasized that structural reforms in developing countries, including foreign trade liberalization, have not been accompanied by adequate measures in industrial countries to open up their economies. Moreover, developed countries still heavily subsidize the export of many products, and developing countries that are efficient producers of those products have had to compete in third countries against those subsidized exports. Hence, the efforts of many developing countries to modernize their economies are held back by the lost opportunity to earn sufficient financial resources from exports. In addition, many developing countries do not have the capacity to adequately participate in negotiations to further liberalize trade in a balanced way, as in the case of agriculture in the World Trade Organization (WTO). It is recognized that technical cooperation to assist those countries in trade negotiations should be a priority.

11. Problems of cohesion in official development assistance (ODA) were also highlighted. The participants argued that although in the 1990s the developed countries experienced strong growth, in that period the volume of ODA declined, which, according to one speaker, represented a fundamental incoherence. It was also stressed that unlike the time-bound commitments contained in the adjustment programmes that developing countries arrange with multilateral creditors, most donors have not set a timetable for increasing ODA. Moreover, it was stressed that donors should streamline and harmonize procedures and not lightly or frequently change priorities of assistance, which sends conflicting and confusing messages to the recipients.

12. The participants tried to find ways to better link national and international development efforts. It was agreed that that could be achieved if respective goals were clear and shared. Developing countries should be assisted to build the capacity to determine their own viable development programmes, which should be supported by the international community. Poverty reduction strategy papers are considered to be a move in the right direction.

13. The need to improve coherence among the international agencies was also emphasized as one of the most critical issues. It was stressed that member countries often speak in different voices in different organizations and that those organizations can speak in different voices to individual countries. In addition, the economic programmes for developing countries do not always take due account of domestic conditions. A standardized approach should be avoided.

14. There should also be more coherence among donors at the operational level, for example to simplify procedures and cut costs of implementation. Furthermore, policies of international development institutions have not always produced expected outcomes. For instance, the retreat of public financing from infrastructure projects has led to substantial reductions in that important component of investment.

It was argued that the regional development banks should increase their activities in that sphere and that consideration should be given to strengthening regional financial cooperation for development.

15. At the same time, speakers stressed that there have been positive developments in the closer cooperation of international organizations, including Bretton Woods institutions, WTO and the United Nations and its agencies and programmes. It was suggested that the United Nations play a central role in monitoring, assessing and coordinating international development cooperation, and that the relationship between WTO and the United Nations be put on the same basis as that between the United Nations and the Bretton Woods institutions.

A specific proposal

16. China and the United States of America announced a notable initiative during the round table as a follow-up to the Conference. They intend to bring together Governments and enterprises in Shanghai, China, in November 2002 in order to help better realize the potential contribution of foreign direct investment to economic growth and development.